

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited (in thousands of Canadian dollars)	Notes	As at July 31, 2024 \$	As at October 31, 2023 \$
ASSETS			
	8		
Cash and cash equivalents		361,891	435,647
Cash and cash equivalents in trust or otherwise reserved	3	274,691	421,002
Trade and other receivables	4	188,423	138,675
Income taxes receivable		513	598
Inventories		37,165	33,735
Prepaid expenses		57,582	38,113
Derivative financial instruments		18,396	38,321
Current portion of deposits	5	162,985	100,609
Current assets		1,101,646	1,206,700
Cash and cash equivalents reserved	3	31,176	29,750
Deposits	5	256,675	222,196
Deferred tax assets		951	1,047
Property, plant and equipment	6	1,389,346	1,083,109
Intangible assets		13,211	14,771
Investment	7	–	11,797
Non-current assets		1,691,359	1,362,670
		2,793,005	2,569,370
LIABILITIES			
Trade and other payables		415,141	319,764
Income taxes payable		1,538	416
Customer deposits and deferred revenues		825,847	754,176
Derivative financial instruments		11,427	17,158
Current portion of lease liabilities	8	173,513	150,246
Liability related to warrants	9	13,546	20,816
Current portion of provision for return conditions	10	–	1,856
Current liabilities		1,441,012	1,264,432
Long-term debt and lease liabilities	8	1,937,181	1,740,350
Deferred government grant	8	127,600	146,634
Provision for return conditions	10	196,028	175,976
Employee benefits liability		22,696	20,961
Deferred tax liabilities		–	56
Non-current liabilities		2,283,505	2,083,977
NEGATIVE EQUITY			
Share capital	11	224,966	223,450
Share-based payment reserve		16,233	16,329
Deficit		(1,163,709)	(1,008,452)
Cumulative exchange differences		(9,002)	(10,366)
		(931,512)	(779,039)
		2,793,005	2,569,370

See accompanying notes to the interim unaudited condensed consolidated financial statements

On behalf of the Board,



Director



Director

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Unaudited (in thousands of Canadian dollars, except per share amounts)	Notes	Quarters ended July 31		Nine-month periods ended July 31	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenues	12	736,203	746,317	2,494,905	2,283,885
Operating expenses					
Aircraft fuel		181,642	158,140	467,635	449,979
Salaries and employee benefits		129,888	114,287	393,001	322,719
Costs of providing tourism services		100,947	93,345	737,039	626,689
Aircraft maintenance		69,155	50,018	164,315	123,426
Airport and navigation fees		58,069	55,159	152,425	133,436
Sales and distribution costs		46,062	45,340	186,158	165,190
Aircraft rent	8	390	2,041	11,791	7,864
Other airline costs		74,649	81,960	208,353	187,876
Other		29,326	27,846	92,056	82,163
Share of net income of a joint venture	7	—	(953)	(130)	(1,442)
Depreciation and amortization		55,412	53,752	160,324	137,623
Reversal of impairment of the investment in a joint venture	7	—	—	(3,112)	—
Restructuring costs	13	500	1,007	2,477	3,350
		746,040	681,942	2,572,332	2,238,873
Operating income (loss)		(9,837)	64,375	(77,427)	45,012
Financing costs	8	36,188	33,694	106,542	98,582
Financing income		(8,884)	(11,099)	(34,716)	(30,922)
Change in fair value of derivatives		7,142	(12,168)	24,323	11,702
Revaluation of liability related to warrants	9	(12,781)	24,972	(7,270)	31,877
Foreign exchange (gain) loss		7,205	(29,052)	(6,752)	(36,014)
Gain on disposal of an investment	7	—	—	(5,784)	—
Gain on asset disposals	14	(392)	—	(392)	(2,511)
Income (loss) before income tax expense		(38,315)	58,028	(153,378)	(27,702)
Income taxes					
Current		796	92	1,849	612
Deferred		782	633	30	173
		1,578	725	1,879	785
Net income (loss) for the period		(39,893)	57,303	(155,257)	(28,487)
Earnings (loss) per share	11				
Basic		(1.03)	1.49	(4.01)	(0.75)
Diluted		(1.03)	1.49	(4.01)	(0.75)

See accompanying notes to the interim unaudited condensed consolidated financial statements

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited (in thousands of Canadian dollars)	Quarters ended July 31		Nine-month periods ended July 31	
	2024	2023	2024	2023
	\$	\$	\$	\$
Net income (loss) for the period	(39,893)	57,303	(155,257)	(28,487)
Other comprehensive income				
Items that will be reclassified to net income (loss)				
Foreign exchange gain (loss) on translation of financial statements of foreign subsidiaries	903	(2,184)	1,364	(1,015)
Total other comprehensive income (loss)	903	(2,184)	1,364	(1,015)
Comprehensive income (loss) for the period	(38,990)	55,119	(153,893)	(29,502)

CONSOLIDATED STATEMENTS OF CHANGES IN NEGATIVE EQUITY

Unaudited (in thousands of Canadian dollars)	Share capital \$	Share-based payment reserve \$	Deficit \$	Cumulative exchange differences \$	Total negative equity \$
Balance as at October 31, 2022	221,924	16,092	(984,602)	(3,594)	(750,180)
Net loss for the period	—	—	(28,487)	—	(28,487)
Other comprehensive loss	—	—	—	(1,015)	(1,015)
Comprehensive loss for the period	—	—	(28,487)	(1,015)	(29,502)
Issued from treasury	1,159	—	—	—	1,159
Share-based payment expense	—	173	—	—	173
Balance as at July 31, 2023	223,083	16,265	(1,013,089)	(4,609)	(778,350)
Net income for the period	—	—	3,195	—	3,195
Other comprehensive income (loss)	—	—	1,442	(5,757)	(4,315)
Comprehensive income (loss) for the period	—	—	4,637	(5,757)	(1,120)
Issued from treasury	367	—	—	—	367
Share-based payment expense	—	64	—	—	64
Balance as at October 31, 2023	223,450	16,329	(1,008,452)	(10,366)	(779,039)
Net loss for the period	—	—	(155,257)	—	(155,257)
Other comprehensive income	—	—	—	1,364	1,364
Comprehensive income (loss) for the period	—	—	(155,257)	1,364	(153,893)
Issued from treasury	1,516	—	—	—	1,516
Share-based payment expense	—	(96)	—	—	(96)
Balance as at July 31, 2024	224,966	16,233	(1,163,709)	(9,002)	(931,512)

See accompanying notes to the interim unaudited condensed consolidated financial statements

TRANSAT A.T. INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)	Notes	Quarters ended July 31		Nine-month periods ended July 31	
		2024	2023	2024	2023
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net income (loss) for the period		(39,893)	57,303	(155,257)	(28,487)
Operating items not involving an outlay (receipt) of cash:					
Depreciation and amortization		55,412	53,752	160,324	137,623
Change in fair value of derivatives		7,142	(12,168)	24,323	11,702
Revaluation of liability related to warrants		(12,781)	24,972	(7,270)	31,877
Foreign exchange (gain) loss		7,205	(29,052)	(6,752)	(36,014)
Gain on disposal of an investment	7	—	—	(5,784)	—
Reversal of impairment of the investment in a joint venture	7	—	—	(3,112)	—
Gain on asset disposals	14	(392)	—	(392)	(2,511)
Share of net income of a joint venture	7	—	(953)	(130)	(1,442)
Capitalized interest on long-term debt and lease liabilities		11,275	11,190	33,031	33,127
Deferred taxes		782	633	30	173
Employee benefits		465	450	2,672	2,499
Share-based payment expense		49	61	(96)	173
		29,264	106,188	41,587	148,720
Net change in non-cash working capital balances related to operations		(118,642)	(105,749)	177,282	246,679
Net change in provision for return conditions		12,304	(598)	19,144	15,181
Net change in other assets and liabilities related to operations		(14,063)	(7,375)	(35,232)	(32,467)
Cash flows related to operating activities		(91,137)	(7,534)	202,781	378,113
INVESTING ACTIVITIES					
Additions to property, plant and equipment and other intangible assets		(29,975)	(14,138)	(108,955)	(33,421)
Proceeds from disposal of assets	14	642	—	642	—
Consideration received for an investment disposal, net of transaction costs	7	—	—	20,414	—
Decrease (increase) in cash and cash equivalents reserved		—	—	(1,426)	1,523
Consideration received for a business disposal		—	10,002	—	10,002
Cash flows related to investing activities		(29,333)	(4,136)	(89,325)	(21,896)
FINANCING ACTIVITIES					
Repayment of lease liabilities	8	(48,250)	(40,407)	(133,298)	(109,947)
Repayment of long-term debt	8	—	—	(57,000)	—
Proceeds from issuance of shares	11	604	433	1,516	1,159
Transaction costs		—	—	—	(191)
Cash flows related to financing activities		(47,646)	(39,974)	(188,782)	(108,979)
Effect of exchange rate changes on cash and cash equivalents		1,121	(1,326)	1,570	819
Net change in cash and cash equivalents		(166,995)	(52,970)	(73,756)	248,057
Cash and cash equivalents, beginning of period		528,886	623,562	435,647	322,535
Cash and cash equivalents, end of period		361,891	570,592	361,891	570,592
Supplementary information (as reported in operating activities)					
Net income taxes recovered		(183)	(1,751)	(553)	(2,142)
Interest received		(9,382)	(11,099)	(35,259)	(30,922)
Interest paid		23,035	21,431	67,276	61,408

See accompanying notes to the interim unaudited condensed consolidated financial statements

[Amounts are expressed in thousands of Canadian dollars, except for per share amounts or unless specified otherwise]
[unaudited]

Note 1 Corporate information

Transat A.T. Inc. [the “Corporation”], headquartered at 300 Léo-Pariseau Street, Montréal, Québec, Canada, is incorporated under the *Canada Business Corporations Act*. Its Class A Variable Voting Shares and Class B Voting Shares are listed on the Toronto Stock Exchange and traded under a single ticker, namely “TRZ.”

Transat A.T. Inc. is an integrated company specializing in the organization, marketing and distribution of holiday travel. The core of its business consists of a Canadian leisure airline, offering international and Canadian destinations, and is vertically integrated with its other services of holiday packages, distribution through a dynamic travel agency network and value-added services at travel destinations.

The interim condensed consolidated financial statements of Transat A.T. Inc. for the quarter ended July 31, 2024 were approved by the Corporation’s Board of Directors on September 11, 2024.

The Corporation’s operations are seasonal in nature; consequently, interim operating results do not necessarily proportionately reflect the operating results for a full year.

Note 2 Significant accounting policies

Basis of preparation

These interim condensed consolidated financial statements of the Corporation and its subsidiaries have been prepared in accordance with International Financial Reporting Standards [“IFRS”], as issued by the International Accounting Standards Board [“IASB”] and as adopted by the Accounting Standards Board of Canada. These interim condensed consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*.

These interim condensed consolidated financial statements are presented in Canadian dollars, the Corporation’s functional currency, except where otherwise indicated. Each entity of the Corporation determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The same accounting policies and methods of computation are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes included in the Corporation’s Annual Report for the year ended October 31, 2023.

These interim condensed consolidated financial statements have been prepared on a going concern basis, at historical cost, except for financial assets and liabilities classified as financial assets/liabilities at fair value through profit or loss and financial assets/liabilities at fair value through other comprehensive income (loss) and measured at fair value.

Income taxes

As part of its international tax reform efforts, the Organisation for Economic Co-operation and Development (OECD) has published the Pillar 2 model rules. The Pillar 2 model rules introduces a global minimum tax requirement set at a 15% effective tax rate for large multinational enterprises, to be applied in each jurisdiction where they operate. The Pillar 2 rules were enacted in Canada on June 20, 2024, under Bill C-69, which includes the *Global Minimum Tax Act* implementing the Pillar 2 model rules. The rules will come into effect for the Corporation for the fiscal year beginning on November 1, 2024. Similar rules have also been adopted in other countries where the Corporation operates. The Corporation is currently assessing the impact of the new regulations on its financial statements.

Changes in accounting policy

Amendments to IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1) which amends IAS 1, *Presentation of Financial Statements*. The amendments aim to clarify how an entity classifies its debt instruments and other financial liabilities with uncertain settlement dates as current or non-current in particular circumstances. On October 31, 2022, the IASB published amendments to *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1). The amendments aim to improve the information an entity provides when the right to defer settlement of a liability for at least 12 months is subject to the entity complying with covenants after the reporting date. More specifically, the amendments clarify that when an entity has to comply with covenants after the reporting date, those covenants would not affect the classification of debt instruments or other financial liabilities as current or non-current at the reporting date. The amendments require an entity to disclose information about these covenants in the notes to the financial statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. It is too early to determine whether the application of these amendments could have an impact on the Corporation's consolidated financial statements at the date of adoption.

Note 3 Cash and cash equivalents in trust or otherwise reserved

As at July 31, 2024, cash and cash equivalents in trust or otherwise reserved included \$233,534 [\$379,006 as at October 31, 2023] in funds received from customers, primarily Canadians, for services not yet rendered or for which the restriction period had not ended, in accordance with Canadian regulators and the Corporation's business agreements with certain credit card processors. Cash and cash equivalents in trust or otherwise reserved also included an amount of \$72,333, of which \$31,176 was recorded as non-current assets [\$71,746 as at October 31, 2023, \$29,750 of which was recorded as non-current assets], and pledged as collateral security against letters of credit.

Note 4 Trade and other receivables

	As at July 31, 2024	As at October 31, 2023
	\$	\$
Government receivables	66,402	30,381
Credit card processor receivables	48,667	46,851
Cash receivable from lessors	30,257	18,862
Trade receivables	14,870	11,308
Other receivables	28,227	31,273
	188,423	138,675

Note 5 Deposits

	As at July 31, 2024	As at October 31, 2023
	\$	\$
Maintenance deposits with lessors	207,921	179,997
Deposits with credit card processors	153,991	92,064
Deposits on leased aircraft and engines	49,244	43,711
Deposits with suppliers	8,504	7,033
	419,660	322,805
Less current portion	162,985	100,609
	256,675	222,196

Note 6 Property, plant and equipment

	Leasehold improvements Fleet \$	Aircraft equipment \$	Office furniture and equipment \$	Land, building and leasehold improvements \$	Right of use Fleet \$	Right of use Real estate and other \$	Total \$
Cost							
Balance as at							
October 31, 2023	105,491	161,874	39,506	16,746	1,674,883	113,832	2,112,332
Additions	1,999	34,046	1,711	32	424,134	1,986	463,908
Reclassification	—	—	(1,859)	1,859	—	—	—
Disposals	—	(13,207)	(1)	—	(10,409)	—	(23,617)
Write-offs	(5)	(2,927)	—	—	(21,187)	(3,102)	(27,221)
Exchange difference	—	—	(43)	(64)	—	29	(78)
Balance as at July 31, 2024	107,485	179,786	39,314	18,573	2,067,421	112,745	2,525,324
Accumulated depreciation							
Balance as at							
October 31, 2023	70,300	94,697	29,867	12,220	746,306	75,833	1,029,223
Depreciation	6,263	11,032	2,635	525	132,487	4,079	157,021
Disposals	—	(12,957)	(1)	—	(10,011)	—	(22,969)
Write-offs	(5)	(2,927)	—	—	(21,187)	(3,102)	(27,221)
Exchange difference	—	—	(45)	(35)	—	4	(76)
Balance as at July 31, 2024	76,558	89,845	32,456	12,710	847,595	76,814	1,135,978
Net book value as at							
July 31, 2024	30,927	89,941	6,858	5,863	1,219,826	35,931	1,389,346

Note 7 Investment

The change in the Corporation's investment in Desarrollo Transimar is detailed as follows:

	\$
Balance as at October 31, 2023	11,797
Share of net income	130
Reversal of impairment loss	3,112
Translation adjustment	(409)
Disposal	(14,630)
Balance as at July 31, 2024	—

On January 9, 2024, the Corporation finalized the agreement for the sale and purchase of its 50% equity interest in Desarrollo Transimar, a Mexican company operating a hotel, the Marival Armony Luxury Resort & Spa, to its co-shareholder. The transaction in the firm amount of US\$15,500 [\$20,749], was paid in cash upon closing of the transaction. The value of the investment at that date was \$14,630. The Corporation recorded a gain on disposal of an investment of \$5,784, net of transaction costs of \$335.

Note 8 Long-term debt and lease liabilities

The following table details the maturities and weighted average interest rates related to long-term debt and lease liabilities as at July 31, 2024 and October 31, 2023. The current portion of lease liabilities included deferred rent payments related to aircraft leases of \$31,904 [\$34,011 as at October 31, 2023]:

	Final maturity	Weighted average effective interest rate %	As at July 31, 2024 \$	As at October 31, 2023 \$
Long-term debt				
Secured debt - LEEFF	2026	9.57	41,400	51,858
Unsecured debt - LEEFF	2026	13.27	348,428	317,222
Unsecured credit facility - Travel credits	2028	14.00	224,440	205,178
Revolving credit facility	2026	9.57	50,000	49,593
Subordinated credit facility	2025	15.24	—	45,294
Long-term debt		13.01	664,268	669,145
Lease liabilities				
Fleet	2024-2036	6.42	1,405,589	1,178,764
Real estate and other	2024-2037	5.59	40,837	42,687
Lease liabilities		6.40	1,446,426	1,221,451
Total long-term debt and lease liabilities		8.48	2,110,694	1,890,596
Current portion of lease liabilities			(173,513)	(150,246)
Long-term debt and lease liabilities			1,937,181	1,740,350

Funding from the Government of Canada

The Corporation has an agreement with the Government of Canada that allowed it to borrow \$743,300 through the Large Employer Emergency Financing Facility ["LEEFF"]. The fully repayable credit facilities made available by the Canada Enterprise Emergency Funding Corporation ["CEEFC"] under the LEEFF, are as follows:

Secured debt - LEEFF

On April 26, 2024, the Corporation renegotiated its LEEFF secured debt agreement at the original principal amount of \$78,000, including the extension of the maturity date to February 1, 2026 (previously April 29, 2025). The credit facility is secured by a first ranking charge on the assets of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions and now bears interest at Adjusted Term CORRA (Canadian Overnight Repo Rate Average) (previously at the bankers' acceptance rate) plus a premium of 4.5% or at the financial institution's prime rate plus a premium of 3.5%. In the event of a change of control, this credit facility becomes immediately due and payable. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at July 31, 2024, the financial ratios and covenants were met. During the nine-month period ended July 31, 2024, the Corporation made a repayment of \$11,000, bringing the principal payable to \$41,400 [\$52,400 as at October 31, 2023]. As at July 31, 2024 and October 31, 2023, the credit facility was fully drawn, and the carrying amount stood at \$41,400 as at July 31, 2024 [\$51,858 as at October 31, 2023].

The Corporation concluded that the modifications related to the extension of the maturity date and the benchmark rate were non-substantial as defined in IFRS 9, *Financial Instruments*. As this floating-rate financial liability was initially recorded at an amount equal to the principal to be repaid at maturity, a new estimate of future payments did not have an effect on the carrying amount of the liability. No adjustment has been recorded related to these amendments.

Unsecured debt - LEEFF

An amount of \$312,000, in the form of an unsecured, non-revolving credit facility that matures on April 29, 2026. The credit facility bore interest at a rate of 5.0% until December 31, 2023. It now bears interest at a rate of 8.0% until December 31, 2024, increasing by 2.0% per annum thereafter, with the option to capitalize interest until December 31, 2024. In the event of a change of control, this credit facility becomes immediately due and payable.

As at July 31, 2024 and as at October 31, 2023, the credit facility was fully drawn and its carrying amount stood at \$348,428 as at July 31, 2024 [\$317,222 as at October 31, 2023].

As part of the financing package, the Corporation issued a total of 13,000,000 warrants [Note 9] in connection with the unsecured financing - LEEFF.

Unsecured credit facility related to travel credits

An amount of \$353,300 in the form of an unsecured credit facility to issue refunds to travellers who were scheduled to depart on or after February 1, 2020 and to whom a travel credit was issued as a result of COVID-19. This credit facility matures on April 29, 2028 and bears interest at the rate of 1.22%. In the event the secured debt - LEEFF and the unsecured debt - LEEFF have not been repaid, this credit facility could become immediately due and payable upon default under the LEEFF financing, including in the event of a change in control, and in the absence of a waiver by the lenders to enforce such due and payable obligations or in the event of a change of control without the consent of the lenders.

As at July 31, 2024 and October 31, 2023, the credit facility was fully drawn. As at July 31, 2024, the carrying amount of the credit facility was \$224,440 [\$205,178 as at October 31, 2023], and an amount of \$127,600 [\$146,634 as at October 31, 2023] was also recognized as deferred government grant related to these drawdowns. During the nine-month period ended July 31, 2024, an amount of \$19,187 was recognized as proceeds from government grants as a reduction of financing costs.

In connection with the arrangement of these credit facilities, the Corporation has made certain commitments, including:

- Refunding travellers who were scheduled to depart on or after February 1, 2020 and to whom travel credits have been issued due to COVID-19. The Corporation started processing refunds in early May 2021. As per the agreement, to be eligible, customers had to indicate their desire for a refund before August 26, 2021;
- Complying with restrictions on dividends, stock repurchases and executive compensation;
- Maintaining active employment at its level of April 28, 2021.

Other credit facilities

Revolving credit facility

On April 26, 2024, the Corporation renegotiated its \$50,000 revolving term credit agreement for its operations, including the extension of the maturity date to February 1, 2026 (previously April 29, 2025). This agreement can be extended for one year on each anniversary date subject to lender approval and becomes immediately due and payable in the event of a change of control. Under the terms of the agreement, funds may be drawn down by way of bank loans, denominated in Canadian and U.S. dollars. The agreement is secured by a first ranking moveable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The facility now bears interest at Adjusted Term CORRA (previously at the bankers' acceptance rate) or at SOFR (Secured Overnight Financing Rate) in U.S. dollars, plus a premium of 4.5% or at the financial institution's prime rate, plus a premium of 3.5%. Under the terms of the agreement, the Corporation is required to meet certain financial ratios and covenants. As at July 31, 2024, the financial ratios and covenants were met. As at July 31, 2024 and October 31, 2023, the credit facility was fully drawn.

The Corporation concluded that the modifications related to the extension of the maturity date and the benchmark rate were non-substantial as defined in IFRS 9, *Financial Instruments*. As this floating-rate financial liability was initially recorded at an amount equal to the principal to be repaid at maturity, a new estimate of future payments did not have an effect on the carrying amount of the liability. No adjustment has been recorded related to these amendments.

Subordinated credit facility

During the nine-month period ended July 31, 2024, the Corporation early repaid its subordinated credit facility for its operations that was due to mature on April 29, 2025. The repayment totalled \$46,000.

Revolving credit facility agreement - Letters of credit

The Corporation has a \$74,000 annually renewable revolving credit facility for the issuance of letters of credit. Under this agreement, the Corporation must pledge cash equal to 100% of the amount of the issued letters of credit. As at July 31, 2024, \$70,080 had been drawn down under the facility [\$69,855 as at October 31, 2023], \$31,176 of which was to secure obligations under senior executive defined benefit pension agreements; this irrevocable letter of credit is held by a third-party trustee. In the event of a change of control, the irrevocable letter of credit issued to secure the obligations under senior executive defined benefit pension agreements will be drawn.

Financing costs

Interest expense for the periods ended July 31, 2024 and 2023, is detailed as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
	2024	2023	2024	2023
	\$	\$	\$	\$
Interest expense on lease liabilities	19,718	15,168	54,412	44,693
Interest expense on long-term debt	14,169	16,766	45,140	48,822
Accretion on provision for return conditions	1,792	1,247	5,214	3,765
Other interest	509	513	1,776	1,302
Financing costs	36,188	33,694	106,542	98,582

Rent expense

Rent expense for the periods ended July 31, 2024 and 2023, is detailed as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
	2024	2023	2024	2023
	\$	\$	\$	\$
Variable lease payments	12	1,149	5,771	4,659
Short-term leases	378	892	6,020	3,205
Aircraft rent	390	2,041	11,791	7,864
Variable lease payments	18	219	291	747
Short-term leases	1,968	1,665	6,357	3,916
Low value leases	80	86	239	272
	2,456	4,011	18,678	12,799

Cash flows related to lease liabilities

The following table details cash flows related to repayments of lease liabilities for the nine-month period ended July 31, 2024:

	Cash flows	Non-cash changes	Total
	\$	\$	\$
Balance as at October 31, 2023			1,221,451
Repayments	(133,298)	4,028	(129,270)
New lease liabilities (new contracts and amendments)	—	359,119	359,119
Interest portion of deferred rent payments	—	1,519	1,519
Lease terminations	—	(398)	(398)
Exchange difference	—	(5,995)	(5,995)
Balance as at 31 juillet 2024	(133,298)	358,273	1,446,426

Maturity analysis

Repayment of principal and interest on long-term debt and lease liabilities as at July 31, 2024 is detailed as follows. Interest on long-term debt only includes interest payable as at July 31, 2024. Lease liabilities denominated in U.S. dollars were translated at the USD/CAD closing rate of 1.3807 as at July 31, 2024:

Year ending October 31	2024	2025	2026	2027	2028	2029 and up	Total
	\$	\$	\$	\$	\$	\$	\$
Long-term debt obligations	–	–	439,828	–	224,440	–	664,268
Fleet	67,747	241,546	231,733	218,370	205,174	868,215	1,832,785
Real estate and other	1,957	6,707	4,767	3,892	5,631	30,287	53,241
Lease liabilities	69,704	248,253	236,500	222,262	210,805	898,502	1,886,026
Total	69,704	248,253	676,328	222,262	435,245	898,502	2,550,294

Note 6 provides the information required for right-of-use assets and depreciation. Note 15 details the information required with respect to leases of aircraft that will be delivered in the coming years.

Note 9 Liability related to warrants

In the context of the initial financing arrangement related to the unsecured facility – LEEFF [Note 8], on April 29, 2021, the Corporation issued to the Government of Canada a total of 13,000,000 warrants for the purchase of an equivalent number of shares of the Corporation (subject to certain limitations described below), with customary adjustment provisions, at an exercise price of \$4.50 per share, exercisable over a 10-year period, representing 18.75% of the total commitment available under the unsecured debt – LEEFF.

The number of shares issuable upon exercise of the warrants may not exceed 25% of the current number of issued and outstanding shares, nor may it result in the holder owning 19.9% or more of the outstanding shares upon exercise of the warrants. In the event of exercise of warrants that surpasses these thresholds, the excess will be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price. Finally, in the event that the unsecured debt – LEEFF is repaid in full by its maturity, Transat will have the right to redeem all of the warrants for a consideration equal to their fair market value. The warrants will not be transferable prior to the expiry of the period giving rise to the exercise of such redemption right. In addition, the holder of the warrants will benefit from registration rights to facilitate the sale of the underlying shares and the warrants themselves (once the transfer restriction has been lifted).

As at July 31, 2024 and October 31, 2023, a total of 13,000,000 warrants had vested under the drawdowns on the unsecured debt – LEEFF and no warrants had been exercised.

Under the limitations set out above, if the 13,000,000 warrants issued are exercised:

- a maximum of 9,687,900 warrants could be exercised through the issuance of shares;
- 3,312,100 warrants would be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price.

Moreover, the parties may, by mutual agreement, exercise the 9,687,900 warrants for a settlement in cash. To the extent that Transat shares are listed on a public market, the Corporation could also choose to settle the exercise of these 9,687,900 warrants on a net share basis, that is, by issuing shares based on the difference between Transat's share market price and the exercise price of warrants.

Due to the existence of settlement mechanisms on a net cash or share basis, the warrants are recorded as derivative financial instruments in the Corporation's liabilities. As at the issuance date, using the Black-Scholes model, the fair value of the 13,000,000 warrants issued on April 29, 2021 was estimated at \$41,491 and recorded as a liability. In its model, the Corporation used a risk-free interest rate of 1.66%, expected volatility of 55.8% and a contractual term of 10 years.

The initial fair value of the warrants was initially recorded under assets as deferred financing costs related to the unsecured debt – LEEFF. When the unsecured debt – LEEFF is drawn, the deferred financing costs recorded as an asset were applied against the initial carrying amount of the liabilities recorded, pro rata to the amounts drawn. The resulting discount forms part of the determination of the effective rate of each drawdown in conjunction with the expected cash flows to repay the drawdowns.

The liability related to warrants is remeasured at the end of each period at fair value through profit or loss. It is classified in Level 3 of the fair value hierarchy.

At each reporting date, the fair value of the liability related to warrants is determined using the Black-Scholes model, which uses significant inputs that are not based on observable market data, hence the classification in Level 3.

The change in the liability related to warrants is detailed as follows:

	Nine-month period ended July 31, 2024	Year ended October 31, 2023
	\$	\$
Opening balance	20,816	24,360
Revaluation of liability related to cancelled warrants	—	(8,881)
Revaluation of liability related to warrants	(7,270)	5,337
Closing balance	13,546	20,816

To remeasure the liability related to warrants, classified as Level 3, the Corporation used a Black-Scholes valuation model. As at July 31, 2024, the primary unobservable input used in the model was expected volatility, which was estimated at 61.7%. A 5.0% increase in the expected volatility used in the pricing model would result in a total increase of \$807 in the liability related to warrants as at July 31, 2024.

Note 10 Provision for return conditions

The provision for return conditions relates to contractual obligations to return leased aircraft and engines at the end of the leases under predetermined maintenance conditions. The change in the provision for return conditions is detailed as follows:

	Nine-month period ended July 31, 2024	Year ended October 31, 2023
	\$	\$
Opening balance	177,832	154,772
Additional provisions	17,776	30,934
Changes in estimates	1,033	(17,371)
Unused amounts reversed	(4,878)	—
Accretion	5,214	5,341
Foreign exchange (gain) loss	(949)	4,156
Closing balance	196,028	177,832
Current provisions	—	1,856
Non-current provisions	196,028	175,976
Closing balance	196,028	177,832

Changes in estimates mainly include adjustments to the inflation rate to be applied to estimated current costs and to the discount rate for the provision for return conditions.

Note 11 Equity

Authorized share capital

Class A Variable Voting Shares

An unlimited number of participating Class A Variable Voting Shares ("Class A Shares"), which may be owned or controlled only by non-Canadians as defined by the *Canada Transportation Act* ("CTA"), carry one vote per share at any meeting of the shareholders, subject to an automatic reduction of the voting rights attached thereto in the event that [i] any non-Canadian, individually or in affiliation with another person, holds more than 25% of the votes cast, [ii] any non-Canadian authorized to provide air service in any jurisdiction (in aggregate) holds more than 25% of the votes cast, or [iii] the votes that would be cast by the holders of Class A Shares would be more than 49%. If any of the above-mentioned applicable limitations are exceeded, the votes that should be attributed to holders of Class A Shares will be attributed as follows:

- first, if applicable, there will be a decrease of the votes of any non-Canadian individual (including a non-Canadian authorized to provide air service) whose votes total more than 25% of the votes cast, so that such non-Canadian holder never hold more than 25% (or such other percentage as may be prescribed by an act or regulation of Canada and approved or adopted by the directors of the Corporation) of the total votes cast at any meeting;
- next, if applicable, and once the pro rata distribution as described above is made, a further pro rata reduction will be made in the voting rights of all non-Canadian holders of Class A Shares authorized to provide an air service, so that such non-Canadian holders may never hold votes totalling more than 25% (or such other percentage as may be prescribed by an act or regulation of Canada and approved or adopted by the directors of the Corporation) of the total votes cast, all classes combined, at a meeting;
- last, if applicable, and once the two pro rata allocations described above have been made, a proportional reduction will be made in the voting rights of all holders of Class A Shares, so that all non-Canadian holders of Class A Shares may never hold votes totalling more than 49% (or such other percentage as may be prescribed by an act or regulation of Canada and approved or adopted by the directors of the Corporation) of the total votes cast, all classes combined, at a meeting.

Each issued and outstanding Class A Share shall be automatically converted into one Class B Voting Share without any further action on the part of the Corporation or the holder if [i] the Class A Share is or becomes owned or controlled by a Canadian as defined by the CTA; or [ii] the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

Class B Voting Shares

An unlimited number of participating Class B Voting Shares [“Class B Shares”], which may only be owned and controlled by Canadians within the meaning of the CTA, and entitling such Canadians to one vote per Class B Share at any meeting of the shareholders of the Corporation. Each issued and outstanding Class B Share shall be converted into one Class A Share, automatically without any further action on the part of the Corporation or the holder if the Class B Share is or becomes owned or controlled by a non-Canadian as defined by the CTA.

Preferred shares

An unlimited number of preferred shares, non-voting, issuable in series, each series bearing the number of shares, designation, rights, privileges, restrictions and conditions as determined by the Board of Directors.

Issued and outstanding share capital

The changes affecting Class A Shares and Class B shares were as follows:

	Number of shares	\$
Balance as at October 31, 2022	38,012,144	221,924
Issued from treasury	477,214	1,526
Balance as at October 31, 2023	38,489,358	223,450
Issued from treasury	505,659	1,516
Balance as at July 31, 2024	38,995,017	224,966

As at July 31, 2024, the number of Class A Shares and Class B Shares stood at 1,862,321 and 37,132,696, respectively [2,717,825 and 35,771,533, respectively, as at October 31, 2023].

Stock option plan

	Number of options	Weighted average price (\$)
Balance as at October 31, 2023	425,904	5.32
Granted	100,000	3.90
Forfeited	(150,000)	4.61
Balance as at July 31, 2024	375,904	5.22
Options exercisable as at July 31, 2024	75,904	10.24

Warrants

No warrants were exercised during the quarter and nine-month period ended July 31, 2024. Accordingly, the Corporation did not issue any shares related to the exercise of warrants [Note 9].

Earnings (loss) per share

Basic and diluted earnings (loss) per share were calculated as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
	2024	2023	2024	2023
(in thousands of dollars, except per share data)	\$	\$	\$	\$
NUMERATOR				
Net income (loss) used in computing basic earnings (loss) per share	(39,893)	57,303	(155,257)	(28,487)
Effect of deemed conversion of warrants	(12,781)	24,972	(7,270)	31,877
Less anti-dilutive impact	12,781	(24,972)	7,270	(31,877)
Net income (loss) used in computing diluted earnings (loss) per share	(39,893)	57,303	(155,257)	(28,487)
DENOMINATOR				
Adjusted weighted average number of outstanding shares	38,906	38,352	38,733	38,220
Effect of potential dilutive securities				
Stock options	—	20	—	3
Less anti-dilutive impact	—	—	—	(3)
Adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share	38,906	38,372	38,733	38,220
Earnings (loss) per share				
Basic	(1.03)	1.49	(4.01)	(0.75)
Diluted	(1.03)	1.49	(4.01)	(0.75)

For the quarter and nine-month period ended July 31, 2024, a total of 375,904 outstanding stock options and the 9,687,900 vested warrants that can be exercised through the issuance of shares were excluded from the calculation since their exercise price exceeded the average share price for the period [256,034 and 456,034 stock options, respectively, and 9,599,107 warrants for the quarter and nine-month period ended July 31, 2023].

Note 12 Additional disclosure on revenues

Breakdown of revenues from contracts with customers

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. With respect to geographic areas, the Corporation operates mainly in the Americas, and serves two main markets that also represent its two main product lines: the transatlantic market and the Americas market, which includes the sun routes. Revenues from contracts with customers is broken down as follows:

	Quarters ended July 31		Nine-month periods ended July 31	
	2024	2023	2024	2023
	\$	\$	\$	\$
Customers				
Americas	210,400	236,537	1,744,618	1,578,670
Transatlantic	520,375	502,591	732,387	686,888
Other	5,428	7,189	17,900	18,327
Total revenues	736,203	746,317	2,494,905	2,283,885

Note 13 Restructuring costs

	Quarters ended July 31		Nine-month periods ended July 31	
	2024	2023	2024	2023
	\$	\$	\$	\$
Restructuring costs				
Severance	—	651	1,848	2,994
Staff relocation costs	500	356	629	356
	500	1,007	2,477	3,350

The change in the provision for employee termination benefits, which was included in Trade and other payables, was as follows:

	Nine-month period ended July 31, 2024	Year ended October 31, 2023
	\$	\$
Opening balance	1,151	2,015
Additional provisions	1,848	3,551
Utilization of provision	(1,936)	(3,858)
Unused amounts reversed	—	(557)
Closing balance	1,063	1,151

Note 14 Gain on asset disposals

The gain on disposal of assets relates to asset disposals and lease terminations.

During the quarter and the nine-month period ended July 31, 2024, the Corporation recorded a gain on asset disposals of \$392 related to the sale of an Airbus A330 engine with a carrying amount of \$250.

During the nine-month period ended July 31, 2023, the gain on asset disposals of \$2,511 was due to the return of one Boeing 737-800 to the lessor. The gain resulted mainly from the reversal of related lease liabilities. The carrying amount of the right-of-use assets for this aircraft lease was fully depreciated during the year ended October 31, 2020.

Note 15 Commitments and contingencies

Leases and other commitments

As at July 31, 2024, the Corporation was party to agreements to lease four Airbus A321XLRs to be delivered between 2025 and 2027. The Corporation also has leases with a term of less than 12 months and/or for low value assets, as well as purchase obligations under various contracts with suppliers, particularly in connection with information technology service contracts, undertaken in the normal course of business. The following table sets out the minimum payments due under aircraft leases to be delivered over the next few years and under leases with a term of less than 12 months and/or for low value assets, as well as purchase obligations:

Year ending October 31	2024	2025	2026	2027	2028	2029 and up	Total
	\$	\$	\$	\$	\$	\$	\$
Leases (aircraft and other)	229	2,348	22,056	34,099	37,141	351,478	447,351
Purchase obligations	6,285	22,910	21,380	13,926	16,817	15,116	96,434
	6,514	25,258	43,436	48,025	53,958	366,594	543,785

Litigation

In the normal course of business, the Corporation is exposed to various claims and legal proceedings. There are often many uncertainties surrounding these disputes and the outcome of the individual cases is unpredictable. According to management, these claims and proceedings are adequately provided for or covered by insurance policies and their settlement should not have a significant negative impact on the Corporation's financial position, subject to the paragraph hereunder. The Corporation has directors' and officers' liability insurance and professional liability insurance, with coverage under said insurance policies that is usually sufficient to pay amounts that the Corporation may be required to disburse in connection with these lawsuits that are specific to the directors and officers, and not the Corporation. In addition, the Corporation holds professional liability and general liability insurance for lawsuits relating to non-bodily or bodily injuries sustained. In all these lawsuits, the Corporation has always defended itself vigorously and intends to continue to do so.

As a result of the COVID-19 pandemic, the Corporation has been the subject of a number of applications for authorization to institute class actions in connection with the reimbursement of customer deposits for airline tickets and packages that had to be cancelled. While some of these class actions have not yet been definitively settled, the Corporation has refunded almost all of the customers, particularly since April 2021, using the unsecured credit facility related to travel credits. Consequently, applications for authorization to institute class actions that have not yet been settled may become moot. In any event, the Corporation will continue to defend itself vigorously in this respect. If the Corporation had to pay an amount related to class actions, the unfavourable effect of the settlement would be recognized in the consolidated statement of income (loss) and could have an unfavourable effect on cash.

Other

From time to time, the Corporation is subject to audits by tax authorities that give rise to questions regarding the tax treatment of certain transactions. Certain of these matters could entail significant costs that will remain uncertain until one or more events occur or fail to occur. Although the outcome of such matters is difficult to predict with certainty, the tax claims and risks for which there is a probable unfavourable outcome are recognized by the Corporation using the best possible estimates of the amount of the loss.

Note 16 Guarantees

In the normal course of business, the Corporation has entered into agreements containing clauses meeting the definition of a guarantee. These agreements provide compensation and guarantees to counterparties in transactions such as operating leases, irrevocable letters of credit and collateral security contracts.

These agreements may require the Corporation to compensate the counterparties for costs and losses incurred as a result of various events, including breaches of prior representations or warranties, loss of or damages to property, claims that may arise while providing services and environmental liabilities.

Notes 4, 14, 17 and 24 to the consolidated financial statements ended October 31, 2023 provide information about some of these agreements. The following constitutes additional disclosure.

Leases

The Corporation's subsidiaries have general indemnity clauses in many of their airport and other real estate leases whereby they, as lessee, indemnify the lessor against liabilities related to the use of the leased property. The nature of the agreements varies based on the contracts and therefore prevents the Corporation from estimating the total potential amount its subsidiaries would have to pay to lessors. Historically, the Corporation's subsidiaries have not made any significant payments under such agreements and have liability insurance coverage in such circumstances.

Collateral security contracts

The Corporation has entered into collateral security contracts with certain suppliers. Under these contracts, the Corporation guarantees the payment of certain services rendered that it undertook to pay. These contracts typically cover a one-year period and are renewable.

The Corporation has entered into collateral security contracts whereby it guarantees a prescribed amount to its customers, as required by regulatory agencies, for the performance of the obligations included in mandates of its customers during the term of the licences granted to the Corporation for its travel agent and wholesaler operations in the Province of Québec. These agreements typically cover a one-year period and are renewable annually. As at July 31, 2024, the total amount of these guarantees unsecured by deposits totalled \$793. Historically, the Corporation has not made any significant payments under such agreements. As at July 31, 2024, no amounts had been accrued with respect to the above-mentioned agreements.

Note 17 Segment disclosures

The Corporation has determined that it conducts its activities in a single industry segment, namely holiday travel. With respect to geographic areas, the Corporation's operations are primarily in the Americas. Revenues and non-current assets outside the Americas are not material. Therefore, the consolidated statements of income (loss) and consolidated statements of financial position include all the required information.

Note 18 Event after the reporting period

On September 10, 2024, the Corporation agreed to financial compensation of US\$25,000 [\$34,000] from Pratt & Whitney for the Corporation's costs related to grounded aircraft due to the GTF engine issues. This agreement covers the period from February 1, 2023 to December 31, 2024.

